

**TOP SECRET**

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**CENTRAL INTELLIGENCE AGENCY**

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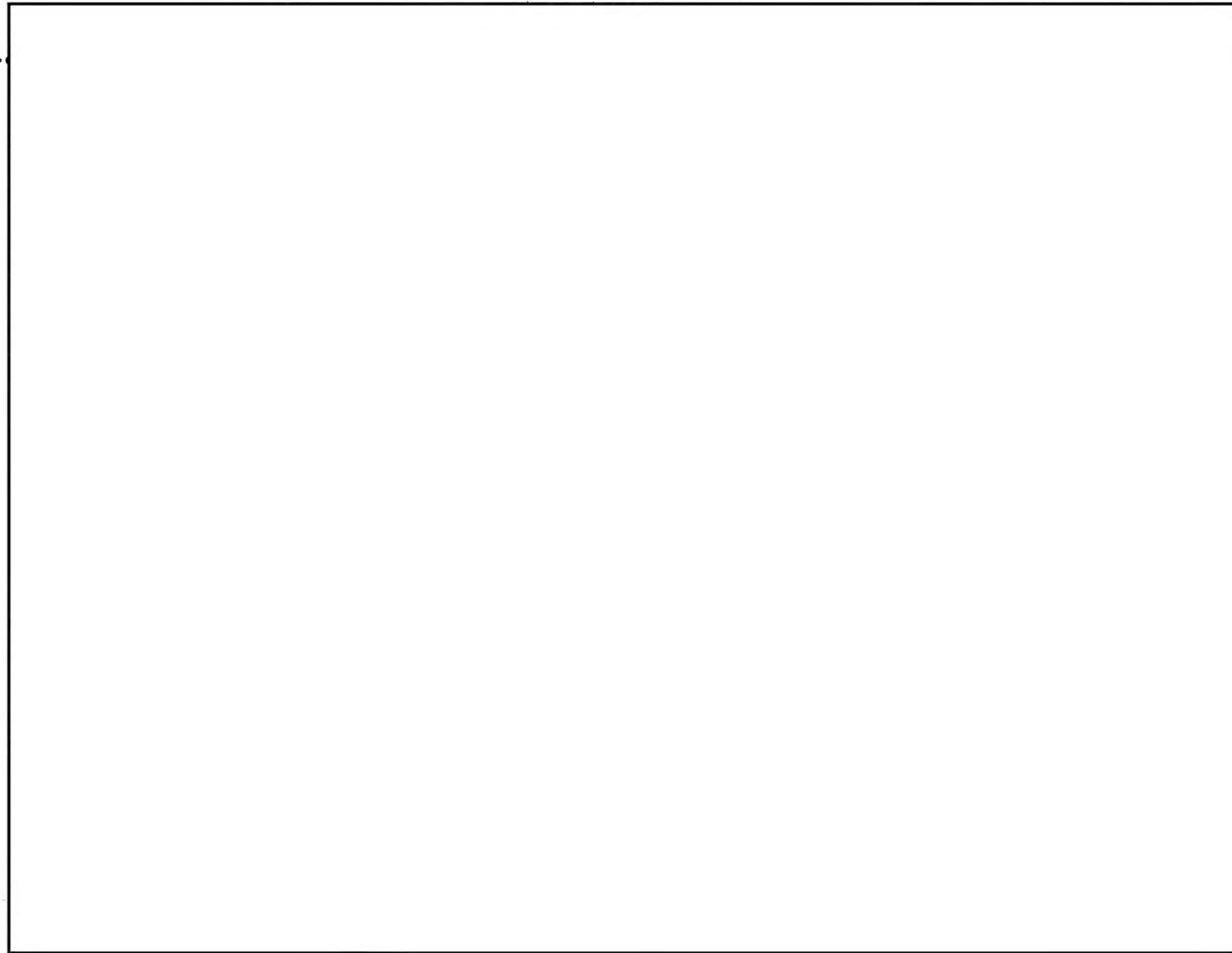
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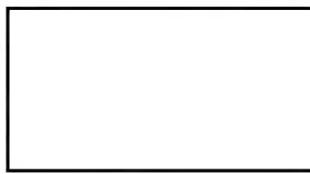
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**2. Karens prepared to sign treaty with Communists in Burma:**

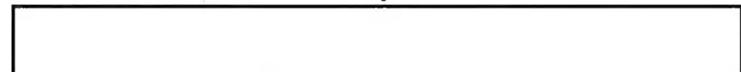
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The insurgent Karens reportedly are prepared to sign a treaty of alliance with the Burma Red Flag Communist faction in January unless they

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are guaranteed military assistance by "a foreign anti-Communist power."

the treaty will provide for a separate Karen state within a Communist-controlled Burma.

Rebel Karen leaders were further assured that the treaty would be approved by Thakin Than Tun, chief of the Stalinist or White Flag Burma Communist Party. Communist aid and propaganda may already have won over a majority of the Karens.

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Comment: The Communists have been gaining Karen support as hopes for Western aid have faded. The Communists have also obtained Karen favor through the provision of arms, ammunition and food. An agreement of this nature, posing a serious threat to the Burmese Government, has been forecast by several previous reports.

#### NEAR EAST - AFRICA

3.

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#### 4. Iraqi Prime Minister again proposes solution of Anglo-Egyptian dispute:

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The Iraqi Prime Minister's latest proposals for a settlement of the Suez dispute provide for a five-year alliance between Egypt and Britain,

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but also include the complete evacuation of all British land forces within a fixed time. A joint British-Egyptian military storage base is to be established in the Canal zone, and a joint air force to be set up for the defense of the Canal. This information originates with the Iraqi Minister in Cairo.

The proposals also provide that the Sudanese be permitted freely to determine their future relations with Egypt and that Britain in no way attempt to influence the Sudanese against union with Egypt.

Comment: This and other versions of the Iraqi proposals appear to contain provisions which would be rejected by either or both of the two parties.

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## WESTERN EUROPE

6. Comment on shake-up in Soviet High Command in Austria:

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Austria attributes the current shake-up of Soviet occupation officials to Moscow's dissatisfaction with the Soviet High Command's failure to support the Austrian Communist Party. The Committee is concerned that the changes may bolster the party and increase the internal security problem in Austria.

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While speculative, this interpretation is supported by other evidence. Heretofore, the Soviet officials in Austria have extended neither respect nor trust to Austrian Communists although they assisted them on such occasions as the demonstrations in October 1950. Communist organizations have been criticized, and Communist leaders treated shabbily at public functions.

On the other hand, despite the general unpopularity of the Soviet occupation, personal relations between top Soviet and non-Communist Austrian officials have not been entirely unfriendly. That Moscow may be preparing to amend this policy in favor of closer cooperation with the Austrian Communists is suggested by the replacement of the relatively popular political adviser by Sergei Kudryavtsev who was connected with the Soviet espionage system in Canada in 1945.

7. Schuman expects French-German accord on security controls:

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On the basis of a private discussion with German Chancellor Adenauer on security controls over armament production in Germany, French Foreign Minister Schuman revealed his belief that the French and German Governments will reach an agreement satisfactory to the US and Britain. In the meantime, Schuman does not favor further French-American-British conversations on this subject at the diplomatic level.

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Commissioner McCloy in Bonn feels that the French now seem prepared to adopt a more reasonable attitude on security controls.

Comment: Early in December, France had requested high-level tripartite conversations to decide on an acceptable Allied position on security controls, and the American Embassy in Paris later reported its opinion that the French had made their last concession on the issue. Schuman had hoped to obtain Adenauer's acceptance of a contractual arrangement on security controls during the Paris meeting of the Defense Community Foreign Ministers, but there is no indication that Adenauer has given in on this point.

A French-German accord on security controls would eliminate the main obstacle to speedy agreement on the European Defense Community and the whole problem of contractual arrangements.

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